

**TRANSPORT
FOR A GLOBAL ECONOMY**

*Challenges and Opportunities
in the Downturn*

SUMMARY CONCLUSIONS OF POLICY PANEL 1

***Transport and the Downturn
Social, Environmental and Economic Impacts***

***Session 2: Social and Environmental Aspects
Friday 29th May 2009***

Participants:

- Moderator: Melinda Crane, journalist
- Rapporteur: Anthony Venables, Oxford University
- Geoff Hoon, Secretary of State for Transport, UK
- Moritz Leuenberger, Federal Councillor, Head of the Federal Department of Transport, Communications and Energy, Switzerland
- Peter Bakker, CEO, TNT
- George Dragnich, Executive Director, International Labour Organisation
- Christian Felber, ATTAC
- Stelios Haji-loannou, President, easyGroup PLC
- Graham Smith, Senior Vice President, Toyota Motor Europe

The global economic crisis has reduced the flow of passengers and goods worldwide, thereby placing severe constraints on many manufacturers, transport operators and facilities. In turn, this has created consequences for the many millions who work in, and depend on the transport sector.

In the panel's first session, on "Economic Impacts", Ministers, CEOs and high-level experts discussed how plummeting demand, fluctuating fuel prices and liquidity issues are affecting global business. Panellists also considered what national governments and international organisations can and should do to help mitigate the impacts of the crisis on the sector and stimulate economic recovery.

In this second session, the panellists shifted focus to the “Social and Environmental Impacts” of the downturn, considering the measures needed to deal with the social consequences of the economic downturn and how environmental goals can be met even in this time of economic constraint.

SOCIAL AND ENVIRONMENTAL IMPACTS

Transport energy use and carbon emissions are projected to be about 80% higher than current levels by 2030. As Rajendra Pachauri, Nobel-Prize-winning Chairman of the International Panel on Climate Change, pointed out in his keynote address at the 2008 International Transport Forum, continued GHG emissions at or above current levels would cause further warming and induce many changes in the global climate system during the 21st century that would very likely be larger than those observed during the 20th century, with implications for people around the world.

Complicating efforts within the transport sector to mitigate CO₂ emissions, the current economic and financial crisis has taken a major toll on transport sector activity: the road sector in the European Union alone, for example, has seen 140,000 jobs lost due to the crisis.

The environmental challenge

Policy-makers currently face particularly difficult choices as they try to balance short-term crisis management with long-term sustainability goals. This second session of the Minister-Industry panel offered an opportunity to discuss options for the transport sector to seek economic recovery, and at the same time pursue longer-term social and environmental goals. Can the sector continue to pursue cleaner and greener transport while at the same time preserving jobs?

Facing the threat of climate change

“We cannot use the downturn as an excuse for avoiding the adjustment to an economy that will have a fundamentally different basis: that is the challenge of climate change.” Geoff Hoon, UK Minister of Transport.

While all panellists agreed on the urgent necessity to find solutions to the climate change problem, their views differed as to how to approach this challenge.

Green technology

Some, like Minister Hoon, expressed the hope that carbon emissions reduction targets could be satisfied mainly with the help of innovative technology, such as new materials for aircraft and engines, and by seeking more efficient ways of moving goods and passengers around the world.

Major players in the sector are already pursuing efficiency gains in their operations by deploying innovative technology. According to Peter Bakker, CEO of TNT, for example, all urban deliveries should go 100% electric within the next five years, while biodiesel should be used exclusively for long-haul road transport. He expressed his wish for TNT to become the first company to reach these goals, and called for stronger regulatory incentives to do so.

“If we don’t change the system - don’t change everything - then we are not going to make it.” Peter Bakker

But Mr. Bakker warned of investing too much hope in new technology. He also called for a more fundamental change: whole business models have to be rethought and global supply chains need to be redesigned, he said. To underline the importance of this point, he explained that TNT’s two Boeing 747 aircraft - that make nine rotations per week between Europe and China, often flying nearly empty to China and coming back fully loaded - produce more CO₂ emissions than the company’s entire fleet of road vehicles, which consists of about 30,000 vans and trucks.

All panellists highlighted the need for a rigorous, effective policy framework to address climate change. In this context, Minister Hoon stressed that the transport sector and its policy-makers - especially the Transport Ministers - need to engage, and set their own CO₂ reduction objectives. This is the only way to prevent others from setting these targets for them, which could lead to unrealistic demands on the sector.

A dissenting stand on the crisis and globalisation

Christian Felber, a representative of the anti-globalisation movement ATTAC, presented his view of the current crisis and what needs to be done about it.

“In my view, we should not be talking about how to lower the cost of transport, but how to increase it.” Christian Felber, ATTAC

Refuting that globalisation carries with it economic and societal benefits, Mr. Felber argued that more trade requires more transport, which leads to an ever-higher consumption of natural resources.

Mr. Felber highlighted that only about 3% of the world's population has ever set foot in an aircraft; he warned that if the other 97% were to take up air travel, climate change would be accelerated by a factor of 4 or 5. He suggested that all economic and social damages that transport causes should be factored into the cost of transport, thus making transport much more expensive than it is today. This, in turn, would strengthen the role of sustainable regional and local markets. "First establish human rights, labour-, social-, environmental-, health- and tax standards, then trade", Mr. Felber said.

Social impacts and the benefits of globalisation

In response to Mr. Felber's remarks, the other panellists evoked the benefits of globalisation, not only for industrialised economies, but around the world. Several panellists called attention to the benefits of a globalised economy for poverty reduction.

Citing development in China, George Dragnich, Executive Director of the International Labour Organisation (ILO), warned that without global trade, there would be a dramatic drop in employment all over the world. Echoing this perspective, UK Minister Hoon noted that the regular flights carrying fresh produce from Africa to Europe facilitate an important source of employment and income for many Africans. According to Anthony Venables, Oxford University Professor of Economics and Rapporteur of the session, Africa has still to see the kind of transformation that the pre-crisis wave of globalisation has induced in countries such as China and India.

Commenting on the general problem of social imbalance between industrialised and developing countries, Mr. Dragnich observed that large multinational companies are increasingly willing to respect the tenets of Corporate Social Responsibility. This implies, according to a commonly cited definition by the World Business Council for Sustainable Development, a continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large. Mr. Dragnich pointed out that international labour standards as set by the ILO are helping to prevent certain countries from gaining unfair trade advantages by undercutting standards.

At the same time, universally acknowledged labour standards cannot be used as trade barriers.

Addressing Mr. Felber's critical view of passenger air travel, Mr. Dragnich argued that, even though it may be that only 3% of the world's population fly, the remaining 97% could nevertheless benefit from air travel. He cited tourism - a labour-intensive industry, which is often the largest single employer in developing countries. Stelios Haji-loannou, Chairman of easyGroup, echoed the benefits of travel, citing the links it creates between peoples and nations, and the resulting enhanced understanding it promotes.

"We can achieve carbon goals by using technology, but we don't want to do it at the expense of allowing people to travel." Geoff Hoon, UK Transport Minister

Peter Bakker of TNT called for an effective policy framework to address climate change: "The real stress test for Copenhagen will be if we can come up with a price for carbon and an accounting system behind this which will incentivise the leaders in the business community to really clean up their act."

Swiss Minister of Transport Moritz Leuenberger emphasized the importance of the "polluter-pays principle", including the use of resulting revenues to mitigate and compensate for resulting damages, as well as providing an incentive to reduce CO₂ emissions. Professor Venables remarked that, whilst a global programme to mitigate climate change would be best, a start has to be made somewhere. Citing Voltaire, he warned that the *best* should not become the enemy of the *good*. He reminded transport policy-makers and other sector stakeholders in attendance of their responsibility to get the ball rolling and called on them to tackle the climate change problem by showing genuine leadership and setting their own standards.

The Power of the Consumer

"Mitigating climate change is not just the responsibility of politicians, nor is it alone the responsibility of global commercial organisations. We have to bring civil society - the citizens and consumers - with us on this journey." Graham Smith, Senior Vice President, Toyota Europe

Graham Smith, Senior Vice President, Toyota Europe, reported that whilst Toyota is very pleased to see that policy-makers are encouraging an increase in use of greener technologies in the automotive sector, additional regulatory incentives could help to move environmental concerns up the list of consumer priorities.

As for the social imperatives in this context, he emphasized that the employment of new technologies and the downsizing of cars must not mean reduced levels of employment. “Sustainability for us includes sustainability of labour,” he noted.